
**State of Washington
Corrective Action Plan**

*OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2002*

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

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QC – Questioned Costs

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Community, Trade and Economic Development (CTED)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	1	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p> <p>Completion Date:</p>	<p>The Department of Community, Trade and Economic Development did not prepare and submit required financial reports for the Low Income Home Energy Assistance program.</p> <table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.568</td><td>\$0</td></tr></table> <p>Corrective action in progress although U.S. Department of Health and Human Services staff consider finding resolved with submittal of reports.</p> <p>CTED staff immediately submitted the required financial reports as soon as it was brought to their attention that the reports were overlooked.</p> <p>CTED will be introducing two new procedures, with related forms, intended to ensure compliance with federal reporting requirements:</p> <ol style="list-style-type: none">1. As each new federal award is received by CTED programs, Agency Divisions will be asked to submit a <i>Federal Award Cover Sheet</i>, highlighting requirements that are included in that award's terms and conditions. Match requirements, reporting requirements and other fiscal related processes will be highlighted by the Division responsible for the federal award. The cover sheet will be submitted to the CTED Accounting Services office, along with a copy of the grant award. CTED expects to have this process in place on or around July 1, 2003.2. The CTED Accounting Services office will be use the information provided by the Divisions to prepare a <i>Federal Assistance Grant Profile</i> for each award. The profile will accompany the fiscal year closing reconciliation for each federal program, when submitted to the analyst's supervisor for approval. The fiscal year closing reconciliation will be reviewed and approved by the Grants and Loan Team Manager, or designee. This process enhancement will be included in the fiscal year closing instruction. CTED expects to start preparing <i>Profiles</i> on new awards effective July 1, 2003, and expects to complete <i>Profiles</i> on all existing federal awards by August 2003. <p>August 2003</p>	<u>CFDA #</u>	<u>Amount</u>	93.568	\$0
<u>CFDA #</u>	<u>Amount</u>						
93.568	\$0						

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Department of Health (DOH)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	2	<p>Finding:</p> <p>The Department of Health should improve monitoring of subrecipients and ensure compliance of vendors for the HIV Care Formula Grants program.</p> <p>Questioned Costs:</p> <table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.917</td><td>\$0</td></tr></table> <p>Status:</p> <p>Corrective Action:</p>	<u>CFDA #</u>	<u>Amount</u>	93.917	\$0	<p>Corrective action in progress.</p> <p>The Department of Health has an established subrecipient monitoring program. With this corrective action plan, DOH management has directed that enhancements be made to the program to improve documentation of subrecipient and vendor compliance with program requirements. Specific enhancements include:</p> <ul style="list-style-type: none">• Development of additional procedures to bolster review of financial documentation at Local Health Jurisdictions.• For non-governmental subrecipients, requirement that all those, not Local Health Jurisdictions, submit appropriate supporting documentation with their bills.• The Department of Health will ensure that the vendor, contracted to provide medical insurance for eligible clients under the Early Intervention Program, complies with the provision of their contract requiring submission of stipulated supporting documentation to the Department.• DOH will take whatever actions are necessary to ensure that other vendors for the HIV Care Formula Grants program comply with the provisions of their contracts. <p>The management of the Department has adopted the corrective action plan and has directed that it be implemented. One major aspect of the corrective action plan is to perform on-site fiscal monitoring of governmental subrecipients for this federal program in conjunction with fiscal monitoring for other department programs that require on-site monitoring. Due to scheduling of on-site visits, the plan for fiscal monitoring of all governmental subrecipients will not be fully cycled until 2005.</p> <p>Completion Date:</p>
<u>CFDA #</u>	<u>Amount</u>						
93.917	\$0						
		Estimated, 2005					

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Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	3	<p>Finding:</p> <p>Questioned Costs:</p> <p>Status:</p> <p>Corrective Action:</p>	<p>The Employment Security Department is not complying with client eligibility requirements for the Unemployment Insurance (UI) program.</p> <table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>17.225</td><td>\$13,376</td></tr></table> <p>Corrective action completed.</p> <p>On December 21, 2001 the department was notified by Department of Labor that extended benefits would be provided beginning January 6, 2002. An additional eligibility requirement of extended benefits was that claimants were required to submit weekly work search documentation to the department in order to be paid benefits for that week. This contrasts with the regular UI benefit program in that these claimants retain their own work search documentation and provide it to the agency only upon request.</p> <p>Due to the short time frame to implement this complex program, the department was unable to revise computer programming for the Interactive Voice Response System prior to initiating the extended benefit program. The department created an interim process, requesting claimants to submit paper work search documentation prior to receiving UI extended benefits. While some of these documents were unavailable at the time of audit, claimants were required to submit these documents prior to payment being made. As such, although the agency could not provide them to the auditors, it does not mean the claimants were ineligible at the time payment was made. Work search verification documents were utilized for several purposes within the agency and were then to be archived.</p> <p>Reprogramming of the Department’s Interactive Voice Response System to accept telephonically communicated work search information in conjunction with the regular weekly claim information was completed in April 2002. For the majority of claimants this eliminated the requirement to submit paper work search documentation. Instead, claimant work search information is retained electronically. As such, this issue is considered resolved with the exception of the resolution of questioned costs by the federal grantor.</p> <p>Completion Date:</p> <p>April 15, 2002.</p>	<u>CFDA #</u>	<u>Amount</u>	17.225	\$13,376
<u>CFDA #</u>	<u>Amount</u>						
17.225	\$13,376						

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Employment Security Department (ESD)

Fiscal Year	Finding Number	Finding and Corrective Action Plan													
02	4	<p>Finding:</p> <p>The Employment Security Department did not comply with regulations for allocating payroll costs for four Department of Labor federal programs.</p> <p>Questioned Costs:</p> <table><thead><tr><th><u>CFDA #</u></th><th><u>Amount</u></th></tr></thead><tbody><tr><td>17.207</td><td>\$ 89,069</td></tr><tr><td>17.225</td><td>32,080</td></tr><tr><td>17.258</td><td>105,125</td></tr><tr><td>17.260</td><td><u>48,403</u></td></tr><tr><td>Total</td><td>\$274,677</td></tr></tbody></table> <p>Status:</p> <p>Corrective Action:</p> <p>The Department does not agree with the auditor and believes the federal programs where the auditor has questioned costs were fairly charged for the services performed by its employees. The auditor's assumption in writing this finding was that because time charges by staff were repetitive, they were based on budgetary estimates rather than on actual work performed. Each employee must sign a semi-monthly timesheet certifying as to the accuracy of the hours reported. Most of the employees whose salaries were questioned work in positions that support several funding sources. As a result, the employees attempt to charge their time in the most equitable manner to benefiting funding sources.</p> <p>Actions taken by the agency to ensure proper time reporting practices are in place include providing instructions on proper time reporting practices to its managers and staff as well as continuing to emphasize their importance through regular employee meetings.</p> <p>Completion Date:</p>	<u>CFDA #</u>	<u>Amount</u>	17.207	\$ 89,069	17.225	32,080	17.258	105,125	17.260	<u>48,403</u>	Total	\$274,677	
<u>CFDA #</u>	<u>Amount</u>														
17.207	\$ 89,069														
17.225	32,080														
17.258	105,125														
17.260	<u>48,403</u>														
Total	\$274,677														
		N/A													

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Military Department

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	5	Finding:	The State of Washington Military Department (WMD) did not comply with federal requirements for time and effort reporting, prevailing wages and suspension and debarment.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>12.401</td><td>\$51,527</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	12.401	\$51,527
<u>CFDA #</u>	<u>Amount</u>						
12.401	\$51,527						
		Status:	<u>Time and Effort Reporting</u> - Corrective action in progress <u>Payment of Prevailing Wage (Davis Bacon)</u> - Corrective action in progress <u>Suspension / Debarment</u> - Corrective action completed				
		Corrective Action:	<p><u>Time and Effort Reporting</u> – A new policy and procedure has been drafted to comply with these requirements. All employees funded solely by one grant will be required to complete a semi-annual certification that they only worked on that grant. The employees that are funded by state and federal funds, but there is no matching requirement, will be required to provide monthly time sheets. The time sheets will be recorded in the State’s Time Management System (TMS). The \$51,527 questioned in the audit is substantiated thorough an a agreement in the Master Cooperative Agreement that allowed for a 90% federal and 10% state effort based on historical work performed by a telecommunication specialist. This employee is now completing monthly time sheets.</p> <p><u>Davis Bacon</u> – WMD has reviewed the Davis Bacon requirements with the National Guard Bureau and found that the Davis Bacon act only applies to specific environmental clean up contracts in reference to the Master Cooperative Agreement. WMD will comply with all Davis Bacon requirements for these types o f contracts. WMD will include the necessary requirements in contract terms and conditions that are processed directly by WMD (delegated) and will work with State Department of General Administration (GA) to include the requirements in the terms and conditions of contracts processed by GA (non-delegated). As was noted in the audit, contractors are using state prevailing wage rates that are comparable to, and in most cases higher than, federal prevailing rates.</p> <p><u>Suspension / Debarment</u> – The contract language relied on by WMD was from GA and did not contain the required certification. Contract language for both delegated and non-delegated projects has been changed to incorporate suspension and debarment language in the terms and conditions. A certificate has also been developed and provided to contractors so that they can file the necessary certification to WMD.</p>				
		Completion Date:	Suspension / Debarment - January 3, 2003 Davis Bacon; Time and Effort Reporting – Estimated, June 30, 2003				

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan	
02	6	<p>Finding: The Department of Social and Health Services, Division of Vocational Rehabilitation, does not have adequate internal controls over the processing of expenditures for client services.</p> <p>Questioned Costs: <u>CFDA #</u> <u>Amount</u> 84.126 \$0</p> <p>Status: Corrective Action in progress</p> <p>Corrective Action: The Division of Vocational Rehabilitation will take the following corrective actions:</p> <ul style="list-style-type: none"> Establish internal controls for the separation of duties within the Service Tracking and Reporting (STARS) system. The STARS system will be updated to electronically ensure separation of duties are maintained beginning with the application phase. In terms of warrants sent to the originating office, the Division will strengthen the cash controls and provide training to ensure separation of duties for the handling of cash items. The Division will update Supervisory Authorization for Purchase (AFP) review policy and establish a STARS automated report to include exceptions for Supervisors and Chiefs to review. The Division will strengthen the cash controls policy and provide training to staff and establish policy for how small offices of 3 or less will handle cash controls. The Division will establish a customer travel policy to include when receipts or certifications are required when purchasing customer travel such as mileage, meals and lodging payments. Procedures will be established to include what's required on the AFP for proper documentation of what is being purchased. <p>Completion Date: Estimated, June 2003</p>	

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	7	Finding:	The Department of Social and Health Services, Division of Child Support, did not have adequate supporting documentation for printing and payroll costs.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.563</td><td>\$38,086</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.563	\$38,086
<u>CFDA #</u>	<u>Amount</u>						
93.563	\$38,086						
		Status:	Corrective action in progress				
		Corrective Action:	<p>The Division of Child Support Services will take the following corrective actions:</p> <ul style="list-style-type: none">In terms of Printing Costs, the auditors have approved the use of Job Cost Sheets as adequate payment documentation. In the cases where Job Cost Sheets do not apply, purchase orders from the State Printer are used to verify invoices. These include printer paper orders where the State Printer acquires the paper through a bid process. The Division now requires Job Cost Sheets and/or State Printer purchase orders for all State Printer invoice billings. The Accounts Payable desk manual will be revised to include procedures for correctly handling the nondescript invoices and what is the acceptable form of invoice to document what has been received for payment.In terms of Payroll Costs, a Corrective Action Plan (CAP) has been developed and implementation has begun. As part of the CAP, the Division of Child Support (DCS) will review federal regulations regarding staff charges, and establish time and effort documentation where necessary.				
		Completion Date:	Estimated, June 2003				

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan							
02	8	Finding:	The Department of Social and Health Services, Economic Services Administration, does not perform adequate or timely reviews to ensure the allowability of child care payments made to clients and vendors from federal and state funds.						
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$1,233,919</td></tr><tr><td>(Note 1)</td><td></td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$1,233,919	(Note 1)	
<u>CFDA #</u>	<u>Amount</u>								
93.575	\$1,233,919								
(Note 1)									
		Status:	Corrective action in progress						
		Corrective Action:	<p>The Economic Services Administration will take the following corrective actions:</p> <ul style="list-style-type: none">• The Division of Child Care and Early Learning (DCCEL) and the Community Services Division (CSD) have issued a joint memo to regional management staff requiring the immediate implementation of the required supervisory reviews. (December 2002)• The DCCEL headquarters staff has been directed to monitor the reviews on a monthly basis and provide through the DCCEL Director to the Director of CSD routine reports on the compliance status of Community Service Office and Regional Office monitoring efforts. (October 2002)• Development continues on an enhanced supervisory review tool. Once testing & piloting is completed, statewide training will be provided to ensure successful implementation. (July 2003)• The CSD Director has established supervisory childcare case audits as one of nine performance issues to be monitored with Regional Administrators (RA). Issues of non-compliance will be discussed with respective RA's during weekly phone calls designed to monitor regional performance. (April 2003) <p>(Continued)</p> <p>Note 1: Of the total amount questioned, \$809,919 relates to the Child Care Development Fund. The balance of \$424,000 was charged to other federal funds that can only be determined by an extensive manual effort.</p>						

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	8 (Cont'd)	<p>Corrective Action:</p> <ul style="list-style-type: none">In regard to Working Connections Child Care questioned costs identified by the State Auditors Office (SAO), Economic Services disagrees with the amount of the finding. As SAO describes in the finding, part of our corrective action plan was to have the internal audit staff complete five audits of child care providers. The Office of Review and Consultation (ORC) did these five audits; three had overpayments and two had underpayments with a total net overpayment of \$48,917.98. Rather than address only these five audits, which were part of the agency's corrective action plan, SAO included seven ORC audits conducted over a three-year period (which includes a period outside of the agency's corrective action plan and fiscal year 2002). SAO's decision to include audits covering a three-year period, rather than the five audits conducted as part of the Corrective Action Plan skews that over-all-picture. Therefore, the actual questioned costs as part of the fiscal year 2002 audit should be stated as \$48,917.98, not the \$424,000 that is identified above. <p>The Department will identify the funding sources in question and complete necessary collection action.</p> <p>Completion Date: Estimated, July 2003</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	9	Finding:	The Department of Social and Health Services, Economic Services Administration, is not in compliance with eligibility requirements for the Temporary Assistance to Needy Families program.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.558</td><td>\$10,106</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.558	\$10,106
<u>CFDA #</u>	<u>Amount</u>						
93.558	\$10,106						
		Status:	Corrective action in progress.				
		Corrective Action:	<p>The Economic Services Administration (ESA) will take the following corrective actions:</p> <p>ESA concurs with the auditor’s findings that it should use available information, some gathered and maintained by other State agencies, in periodic comparisons of client/recipient information. Discrepancies should be investigated and payment errors corrected. Improved use of technology and automation will aid in the detection of incorrect payments.</p> <p>CSO field staff has a means available to validate SSN information. Operationally, we can manually verify questionable SSNs if necessary through a labor-intensive process. The solution and Corrective Action Plan (CAP) will address staff training on existing processes. All financial staff will be required to attend system interface and alerts training.</p> <p>ESA would like to make the following additional points:</p> <ul style="list-style-type: none">Local office staff already knew of several of the TANF income eligibility discrepancies prior to the auditor testing and corrective actions were in process.The automated client eligibility system (ACES) does run income related cross-matches on cases when a review is initiated. Reduced staffing levels may have contributed to staff’s inability to react to all potential claims timely. ESA is exploring the possibility of contracting with “TALX”, an automated system that instantly provides wage-based income verification.				

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	9 (Cont'd)	<ul style="list-style-type: none">• The automated alerts occur at application and every 5 months thereafter if the number is an error. ACES interface and alert training will help significantly as well as making the Social Security on-line query (SOLQ) process simpler.• ESA is investigating the feasibility of building a cross-match to Department of Corrections data. Experience has shown that our clients often are incarcerated for short periods of time and their eligibility for benefits is unchanged. ESA will continue to gather information on this issue. <p>Completion Date: Estimated, May 2003</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	10	Finding:	The Department of Social and Health Services, Economic Services Administration, did not comply with federal cost principles for charging terminal leave payments.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.575</td><td>\$37,673</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.575	\$37,673
<u>CFDA #</u>	<u>Amount</u>						
93.575	\$37,673						
		Status:	Corrective action in progress.				
		Corrective Action:	<p>The Economic Services Administration (ESA) has and will take the following corrective actions:</p> <ul style="list-style-type: none">• DSHS changed its written policy for the charging of terminal leave to conform with federal cost principle regulations effective December 2002.• With regard to the questioned costs, in the amount of \$37,673 for the Economic Services Administration, the Division will reallocate using the proper methodology.				
		Completion Date:	Estimated, March 2003				

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan					
02	11	Finding:	The Department of Social and Health Services, Medical Assistance Administration, has not established sufficient internal controls to ensure compliance with Medicaid provisions.				
		Questioned Costs:	<table><tr><td><u>CFDA #</u></td><td><u>Amount</u></td></tr><tr><td>93.778</td><td>\$430,682</td></tr></table>	<u>CFDA #</u>	<u>Amount</u>	93.778	\$430,682
<u>CFDA #</u>	<u>Amount</u>						
93.778	\$430,682						
		Status:	Corrective action in progress.				
		Corrective Action:	<p>The audit identified five conditional areas where the lack of sufficient internal controls resulted in questioned costs or inappropriate payments. The Medical Assistance Administration (MAA) will take the following corrective actions:</p> <p>Condition A. Payments made for persons with invalid social security numbers or made on behalf of deceased individuals.</p> <p>The Department does not agree with this finding. Based on the data and research of both the Department and the State Auditor’s Office (SAO), the total questioned costs should be stated as \$48,854 rather than the \$819,887. The reason for the difference is the SAO used a different test database and criteria when testing records in the following two areas:</p> <ol style="list-style-type: none">1. The Department does not agree with the audit exceptions for recipients classified as deceased and receiving benefits. The Department uses Social Security Administration (SSA) data to determine if persons are living or dead. For audit testing, the SAO used a system called VERIS, a commercial software package from Security Software Solutions (SSS), trademarked by S.G. Schoggen and Company. The VERIS package allows its customers (in this case, the SAO) to obtain Social Security number validation from SSS, which gets information from SSA updated weekly. VERIS does not directly link to the SSA databases and SSA has repeatedly advised the Department to rely on data obtained directly from their databases, instead of secondary data sources such as those used by the SAO. <p>(Continued)</p>				

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11 (Cont'd)	<p>To determine date of death, the SAO appears to have used the SSA Death Master File Index. However, DSHS has found that persons listed as deceased on the SAO index were continuing to receive SSA and SSI benefits, according to the SSA databases and Master Benefits Record. The SAO refused to accept SSA payment information as evidence the recipient was still alive, despite the fact that the Department is required to accept such information as stated in 42 CFR 435.955. SAO also refused to accept any other collateral evidence, such as department visits to the home/facility, statements of the person being alive, or statements from relatives and the recipient's identification.</p> <p>If DSHS receives information that conflicts with the SSA data, DSHS independently verifies the correct data. This allows DSHS to use the most accurate data in making their determination, while complying with federal rules by suing the SSA interface information. SSA states that the best source of data is SOLQ, which is real-time, accurate information as SSA records it. Using SSA data complies with 42 CFR 435.948, which requires State Medicaid agencies to interface with Federal agencies and use their data to make eligibility determinations.</p> <p>The Department has complied with federal law in obtaining and verifying the questioned SSN's, and would have no authority under federal law to rely upon the database accessed by the SAO.</p> <p>2. The Department does not concur with the findings on invalid social security numbers. The Department does not agree that there are instances of recipients receiving benefits with incorrect social security numbers but if this occurs under the Federal requirement (42 CFR 435.910 (f), "The agency [in this case, DSHS] must not deny or delay services to an otherwise eligible applicant pending issuance or verification of the individual's SSN by SSA.</p> <p>Federal law prohibits DSHS from refusing benefits to possible ineligible while waiting for issuance or verification of an SSN.</p> <p>(Continued)</p>

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Department of Social and Health Services (DSHS)

Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11 (Cont'd)	<p>This puts the state in the position of issuing benefits without verification of an eligibility factor, as required by federal law, and then having associated costs questioned by the SAO.</p> <p>In addition to the questioned costs, DSHS would like to provide additional information regarding some of the recommendations from the SAO. It is not possible for DSHS employees to review all alerts all the time given the current workload. However, we do think it is possible to provide training on the SSA interface systems and SSA alerts. The Department does recognize there are system problems that adversely affect employee case review productivity. Specifically, the SOLQ tool needs improvements to its sign on process and accessibility to staff. It is a useful tool but has program flaws that inhibit the work process.</p> <p>Additionally, there are also SSN errors attributable to the Department's conversion from the old system (IT IS) to the current eligibility system (ACES). The Department is looking into the possibility of the ACES producing quarterly SSN reports in order to do a comprehensive SSN review. If this can be accomplished in addition to SOLQ tool improvements, DSHS will be able to reduce some manual processes and improve case reviews.</p> <p>The Department does not concur with "Other Exceptions Not Included in Sample." The Department was not provided information on the cases that pertain to the \$17,705 during or after the audit, therefore we cannot determine if these questioned costs are valid.</p> <p>Condition B. Basic Health Plus</p> <p>The Department does not agree with this finding. In the prior year audit response DSHS stated that the audit test results did not support the need for a finding. In this follow up audit year, audit testing was not done and does not support additional audit recommendations. DSHS reaffirms our SFY01 audit response with additional clarification to statements made in this audit finding:</p> <ul style="list-style-type: none"> All applicants and recipients are expected to declare their household income, regardless of whether their income is at or below 200% Federal Poverty Level (FPL). <p>(Continued)</p>

State of Washington Corrective Action Plan

*OMB Circular A-133 Audit
For the Fiscal Year Ended
June 30, 2002*

(This plan only addresses findings reportable under the revised OMB Circular A-133.)

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11 (Cont'd)	<ul style="list-style-type: none"> In addition to the 400 BH Plus random reviews, Medical Eligibility Determination Services (MEDS) receives an average of 1,200 BH Plus Household Change (DSHS 14-406) forms from households due for an annual review monthly. The 1,200 is based on the fact that three maintenance units receive between 400-450 DSHS 14-406 forms returned by clients each month. An eligibility worker, to determine if the change affects continued eligibility, reviews each change form. MEDS has always corroborated a client's income declaration if the declared income is at or above 200% FPL, by pending the application or review and requesting proof of income. Changes in income do not affect a child's Medicaid eligibility during their certification period. There is not a requirement to verify income unless it is questionable. Self-declaration of household circumstances is provided under MAA's policy distributed to the field on December 3, 1998. DSHS is notified of household by BH or via the DSHS 14-406 form. MEDS does work with the Health Care Authority (HCA) on reported income changes during the certification period and follows up at annual review time. It is an expectation for both BH and MAA staff to follow Chapter 5, section 5-02 BH Plus Pregnancy Medical Change of Circumstances – Change in Household/Income in the BH/MAA Policy and Procedure Manual. <p>With regard to the new audit recommendations from the SFY02 audit:</p> <p><u>a. Require declarations of income for all clients not just those close to 200% FPL</u></p> <p>DSHS could not do more than it is already doing to verify client income. All clients applying for children's medical are required to declare their income on application. DSHS policy requires all applicants requesting children's Medicaid to declare their household income, regardless of whether it is "close to 200% FPL". December 3, 1998, DSHS established the policy of declaration of income for children's medical programs. Those guidelines stated: ...children applying for medical programs...must declare income on the application.</p> <p>(Continued)</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11 (Cont'd)	<p><u>b. Establish procedures that would corroborate a client's income declaration with an independent source</u></p> <p>MEDS follows established DSHS policies for corroborating client income as outlined in the Eligibility A-Z Manual, WAC 388-406-0030 (3); WAC 388-490-0005 (2), (3), (4), (5), (a), (b), (c), (8), (a), (9), (10); WAC 388-458-0001; Clarifying Information (E A-Z manual, pg 4&5), "The federal requirements for Medicaid verifications are much less stringent than those for cash or food assistance. Except as noted in the chart below (see E A-Z manual) for specific programs, accept client's declaration of age, identity, and SSN. Ask for verification to be provided whenever the information is questionable." The chart specifically indicates that for children's Medicaid, we do not require verification unless questionable. For verifications, "Any source, including verbal, written, and email statements, can be used as long as it meets the "Criteria for Evaluating Verification" (see E A-Z manual). Income can be verified via pay stubs, statement from employer, SEMS data, bank statements, and collateral contact, SOLQ. These procedures are already established and staff follows them in order to corroborate a client's income declaration if necessary.</p> <p>Condition C. Provider Licensing</p> <p>The Department did not agree with this finding in the SFY 01 audit, nor does it agree with the finding in the current this fiscal year. DSHS previously acknowledged that enhancements to the Division's internal controls and procedures could be made and the Department has done that. Post audit review of the providers questioned in the SFY01 report showed all were properly licensed in the audit period tested. The Department reaffirms its response to the SFY01 and emphasizes that the \$9,837,143 questioned was for properly licensed providers and should not have been cited as a questioned cost.</p> <p>Condition D. Provider Health and Safety Standards – Hospitals</p> <p>The Department concurs with this condition. Medical Assistance Administration plans to establish procedures that will be used when information comes from Department of Health, Aging and Disability Services or other established entities regarding health and safety standards not being met. However, given other priorities and the lack of additional staff, this area has not been addressed at this time.</p> <p>(Continued)</p>

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Fiscal Year	Finding Number	Finding and Corrective Action Plan
02	11 (Cont'd)	<p>Condition E. Provider Health and Safety Standards – Nursing Homes</p> <p>The Department concurs with this condition. However, the Department believes a more effective method of tracking Denial of Payment Notice (DOP) is for the federal Center for Medicare/Medicaid Services (CMS) to directly notify MAA of the facility status change. Corrective action has been identified and was implemented in November 2002.</p> <p>Completion Date: Estimated, July 2003</p>

